No. 12258.

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

B. H. STAUFFER and STAUFFER SYSTEM, INC.,

Appellants,

vs.

KATHLEEN EXLEY,

Appellee.

OPENING BRIEF FOR PLAINTIFFS-APPELLANTS.

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TOPICAL INDEX.

TABLE OF AUTHORITIES CITED.

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I.
STATEMENT OF JURISDICTION.

Jurisdiction of the District Court is founded upon the Trade-Mark Act of July 5, 1946 (Public Law 489, 79th Congress, Chapter 540, 2nd Session, 15 U. S. C. 1051-1127). This is popularly denominated the Lanham Act.

Jurisdiction of the District Court is therefore founded specifically upon Section 39 of the Lanham Act (15 U. S. C. 1121) and 28 U. S. C. 1337. Jurisdiction of this court is founded upon the same section (15 U. S. C. 1121) and upon 28 U. S. C. 1291.

II.
STATEMENT OF THE CASE.

A. The Issue.

This case presents a new and novel question of law, hitherto undecided, so far as we can determine. Decision of this Court on this question may have far-reaching and important consequences.

The question of law presented by this case is:

> Under the new Federal Trade-Mark Act (Public Law 489, 79th Congess, Chapter 540, 2nd Session, 15 U. S. C. 1051-1127), do the Courts of the United States have jurisdiction in simple actions for unfair competition between a plaintiff engaged in "commerce" and a defendant not so engaged, in the absence of diversity of citizenship between the parties, and where such action is not related to a substantial claim for patent, trade-mark or copyright infringement?

B. The Facts.

(1) Both plaintiffs and defendant are citizens of the State of California [Complaint, Tr. 2; Answer, Tr. 17; and Findings of Fact, Tr. 29, 30]; there is no diversity of citizenship [Conclusions of Law, Tr. 30].

(2) Plaintiffs are engaged in "commerce," within the meaning of the Lanham Act [Findings of Fact, Tr. 30].

(3) Defendant is charged with unfair competition with plaintiffs [Complaint, Tr. 7].

(4) The action was filed in the Southern District of California, Central Division.

(5) A separate trial was had upon the question of jurisdiction of the District Court to entertain the action [Tr. 30], and the District Court dismissed the action upon the ground that it had no jurisdiction [Tr. 32].

III.

SPECIFICATION OF ERRORS.

The asserted errors of the United States District Court that are relied upon by the plaintiff-appellants are as follows:

(1) The District Court erred in Conclusion of Law 2 in holding:

> "The Trade-Mark Act of July 5, 1946 does not confer original jurisdiction upon the district courts of the United States in actions for unfair competition in the absence of diversity of citizenship of the parties where there is no substantial and related claim under the copyright, patent or trade-mark laws joined to such actions." [Tr. 30.]

(2) The District Court erred in Conclusion of Law 3 in holding:

> "This court does not have jurisdiction of the action herein because of the lack of diversity of citizenship of the parties and because there is no substantial and related claim under the copyright, patent or trade-mark laws joined to said action." [Tr. 31.]

(3) The District Court erred in its Judgment in ordering, adjudging and decreeing that the action be dismissed for lack of jurisdiction.

IV.

SUMMARY OF ARGUMENT.

A. UNDER THE LANHAM TRADE-MARK ACT THE FEDERAL DISTRICT COURT HAS ORIGINAL JURISDICTION OF AN ACTION FOR UNFAIR COMPETITION INVOLVING GOODS AND SERVICES IN INTERSTATE COMMERCE.

B. EMINENT UNFAIR COMPETITION AUTHORITIES RESPONSIBLE FOR THE DRAFTING AND ENACTMENT OF THE LANHAM ACT INTERPRET IT TO GIVE ORIGINAL JURISDICTION OF SIMPLE ACTIONS IN UNFAIR COMPETITION TO THE UNITED STATES DISTRICT COURTS.

C. RULES OF STATUTORY CONSTRUCTION AND INTERPRETATION REQUIRE THE DECISION THAT UNITED STATES COURTS ARE REQUIRED TO TAKE JURISDICTION OF SIMPLE ACTIONS IN UNFAIR COMPETITION.

D. CONGRESS INTENDED TO REQUIRE UNITED STATES DISTRICT COURTS TO HEAR AND DECIDE ACTIONS FOR UNFAIR COMPETITION SIMILAR TO THE INSTANT CAUSE.

V.
ARGUMENT.

A. Under the Lanham Trade-Mark Act the Federal District Court Has Original Jurisdiction of an Action for Unfair Competition Involving Goods and Services in Interstate Commerce.

The Lanham Trade-Mark Act (Public Law 489, 79th Congress, Chapter 540, 2nd Session; 15 U. S. C. 1051-1127), effective July 5, 1947, is not only an act designed to protect trade-marks, but also has for its purpose the implementation of certain international treaties or conventions to which the United States is a party. The act is entitled:

> "An Act to provide for the registration and *protection* of trade-marks used in commerce, *to carry out the provisions of certain international conventions, and for other purposes.*" (Emphasis ours.)

These treaties implemented by the Lanham Act define unfair competition and assure in every signatory country to the nationals of every other country "effective protection against unfair competition." *They represent the Supreme Law of the Land* (Constitution, Article VI, Clause 2). The Lanham Act provides the machinery in Title IX, "International Conventions," for carrying out the provisions of these treaties. Specifically, it provides for invoking the same remedies provided in the act for infringement of registered trade-marks for the repression of unfair competition. Such remedies, which include suit in the United States Courts, are available to nationals of countries signatories to these treaties and to citizens and residents of the United States.

The Lanham Act, therefore, by incorporating various treaties relating to unfair competition and providing for their enforcement in the Federal Court, establishes a federal code of unfair competition and a federal cause of action to enforce it.

The particular treaties which are implemented by the Lanham Act are named in Section 44(b) [15 U. S. C. 1126(b)], which provides as follows:

> "Persons who are nationals of, domiciled in, or have a *bona fide* and effective business or commercial establishment in any foreign country, which is a party to (1) the International Convention for the Protection of Industrial Property, signed at Paris on March 20, 1883; or (2) the General Inter-American Convention for Trade Mark and Commercial Protection signed at Washington on February 20, 1929; or (3) any other convention or treaty relating to trade-marks, trade or commercial names, or the repression of unfair competition to which the United States is a party, shall be entitled to the benefits and subject to the provisions of this Act to the extent and under the conditions essential to give effect to any such conventions and treaties so long as the United States shall continue to be a party thereto, except as provided in the following paragraphs of this section."

This section clearly gives to foreign nationals all rights and benefits under the act as are required to enforce the International Convention for the Protection of Industrial Property and the General Inter-American Convention for Trade Mark and Commercial Protection. Both of these treaties relate in part to the repression of unfair competi-

tion. Thus in the former, which is commonly known as the Paris Convention, it is provided in Article 10 BIS:

> "1. The countries *of the Union* are bound to assure to nationals of countries of the Union an effective protection against unfair competition.
>
> "2. Every act of competition contrary to honest practice in industrial or commercial matters constitutes an act of unfair competition.
>
> "3. The following particularly are to be forbidden:
>
> "1° All acts whatsoever of a nature to create confusion by no matter what means with the *establishment,* the goods, *or the services of* the competitor;
>
> "2° False allegations in the course of trade of a nature to discredit *the establishment,* the goods *or the services* of a competitor." (Italics added.)

The Inter-American Convention states in Article 20:

> "Every act or deed contrary to commercial good faith or to the normal and honorable development of industrial or business activities shall be considered as unfair competition and, therefore, unjust and prohibited."

Article 21 of this Convention lists in detail the various acts which are declared to be acts of unfair competition.

The Lanham Act in Section 44(h) [15 U. S. C. 1126(h)] specifically provides that the nationals of countries who are parties to these conventions shall be protected against unfair competition under the remedies provided in the act. This section reads as follows:

> "Any person designated in paragraph (b) of this section as entitled to the benefits and subject to the provisions of this Act shall be entitled to effective

> protection against unfair competition, and the remedies provided herein for infringement of marks shall be available so far as they may be appropriate in repressing acts of unfair competition."

Effective protection against the acts of unfair competition set forth in these treaties is thus assured to foreigners by the remedies afforded under the Lanham Act. These treaties guarantee the same protection to American nationals in foreign countries.

American nationals may not have less rights at home than they have abroad or less rights at home than foreigners. In recognition of this fact, Congress has provided in Section 44(i) [15 U. S. C. 1126(i)] of the act:

> "Citizens or residents of the United States shall have the same benefits as are granted by this section to persons described in paragraph (b) hereof."

The sum total of these sections 44(b), (h), and (i) is to provide citizens or residents of the United States protection against unfair competition as defined in the various treaties to which the United States is a party by the same remedies as are given under the act for the infringement of trade-marks. Thus an action for unfair competition is now an action arising under the Lanham Act.

Title X, Section 45 of the act (15 U. S. C. 1127), entitled *"Construction and Definitions"* declares the intention of Congress and states in part as follows:

> "The intent of this Act is to regulate commerce within the control of Congress by making actionable

the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; *to protect persons engaged in such commerce against unfair competition,* to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trade-marks, trade-names, and unfair competition entered into between the United States and foreign nations." (Italics added.)

Section 39 (15 U. S. C. 1121) of the act provides as follows:

"The district and territorial courts of the United States shall have original jurisdiction, the circuit courts of appeals of the United States and the United States Court of Appeals for the District of Columbia shall have appellate jurisdiction, of all actions arising under this Act, without regard to the amount in controversy or to diversity or lack of diversity of the citizenship of the parties."

The conclusion must therefore be reached that, since an action for unfair competition is an action arising under the Lanham Act, the Federal Court has original jurisdiction thereof.

This result is at present apparently unsupported by any case citations due to the short time that has elapsed since the Lanham Act has been in effect.

B. Eminent Unfair Competition Authorities Responsible for the Drafting and Enactment of the Lanham Act Interpret It to Give Original Jurisdiction of Simple Actions in Unfair Competition to the United States District Courts.

DAPHNE ROBERT.

The provisions of the Lanham Act are most clearly discussed and effectively analyzed in *The New Trade-Mark Manual*, by Daphne Robert (1947). The author undertakes a detailed discussion, concluding as follows:

> "It is clearly apparent that an action for unfair competition is an action 'arising under the Act,' and therefore jurisdiction is in the Federal courts, irrespective of diversity or lack of diversity of citizenship. The new Act makes an action for unfair competition relief a statutory right of action and protection will be granted under the Federal law and not limited to the common law of the States." (p. 177.)

After setting forth the relevant portions of the International Conventions heretofore quoted in part, the author continues:

> "It is apparent from the cases cited elsewhere that, for the most part, these acts have been enjoined by the Courts under the principles of the common law. But dependence on the State laws is no longer necessary. Under the new Act, a Federal forum is provided and a yardstick is available for uniform determination of what constitutes 'unfair competition.' Somewhat indirectly, but nevertheless effectively, a Federal 'code of unfair competition' is thus incorporated into our law." (p. 180.)

EDWARD S. ROGERS.

Mr. Edward S. Rogers, noted trade-mark authority and author of the earliest standard reference on unfair competition, writes on this point at some length in the introduction to *The New Trade-Mark Manual* (*supra*). After quoting from the Lanham Act and the Conventions, this is said:

> "Section 39 of the Lanham Act provides that the Federal Courts shall have original jurisdiction of all actions arising under the Act, without regard to the amount in controversy or to the diversity or lack of diversity of the citizenship of the parties.
>
> "I suggest, therefore, that the binding force of the decisions of the courts of the various States with respect to unfair competition and the obligation on the Federal Courts to apply them, supposed to result from *Erie Railway v. Tompkins,* are now removed. I suggest further that State decisions have been supplanted by the Conventions and the Federal statute, *and for the first time citizens of the United States are assured in Federal Courts of effective protection against unfair competition by national law.*" (p. xix.) (Italics added.)

ARTHUR A. MARCH.

A number of articles on the new Lanham Act have appeared in recent months in *The Trade-Mark Reporter* and the *Bulletin of the United States Trade-Mark Association.* Writing in this publication, Mr. Arthur A. March, in his article entitled "Unfair Competition Defined" (Vol. XXXVII, No. 9, November, 1947), reaches the same conclusions as the authors above:

"When cognizance is taken of the fact that treaties together with the constitution and *laws* made in pursuance thereof constitute the supreme law of the land, it will be realized that perhaps rectification of effects of the *Erie* case as it pertains to unfair competition is in the offing.

"While it may be maintained that we have had in prior years a declaration of unfair competition in a Federal statute, the Federal Trade Commission Act, without any appreciable aid resulting therefrom it must be remembered that this law specifically applies to acts which may be prosecuted by a governmental agency and not to *inter partes* actions. The courts rightfully restricted themselves to this interpretation. The Lanham Act, however, does deal with *inter partes* relationships and we now apparently have a law defining Unfair Competition, in one aspect made in pursuance of a treaty, which constitutes the supreme law of the land. Specifically it applies to citizens of the United States as well as to foreign nationals.

"Hence, whenever unfair competition rears its head in the future, remedies should be available under the Lanham Act by filing suit in the particular District Court having jurisdiction. Of further interest in this connection is the fact that 'diversity of citizenship' and 'amount in controversy' as prerequisites to obtaining Federal Court jurisdiction are eliminated, for the Lanham Act itself provides that Federal Courts shall have original jurisdiction of all actions arising under the Act without regard to the amount in controversy or to the diversity or lack of diversity of the citizenship of the parties." (pp. 736-37.) (Italics added.)

STEPHEN P. LADAS.

Section 44 of the Lanham Act was drafted and submitted by Mr. Stephen P. Ladas, Chairman of the International Committee of the United States Trade-Mark Association, and Mr. Edward S. Rogers, quoted above. Mr. Ladas, commenting on the original of this section in *The Trade-Mark Reporter* for March, 1948, Vol. XXXVIII, No. 3, says:

> "One of the most interesting features of the Lanham Act as compared with our previous statutes is that it contains a special title, Title 9, 'International Conventions.'
>
> "This was an idea of Edward S. Rogers. In late November, 1937, he telephoned me and suggested that it would be a good idea to include in the new Trade-Mark Act a separate chapter on International Conventions. I said that would be an excellent plan and Mr. Rogers quickly suggested that I prepare this chapter. I never refuse Mr. Rogers anything. Besides, this was something that really interested me. So on December 3, 1937, I submitted draft of a chapter that contained Sections A to I. This is what is now Section 44 and my Sections A to I are the subsections of Section 44. Aside from certain changes in literary style to make it conform to the rest of the Act, the present Section 44 is practically the text Mr. Rogers and I prepared in 1937, with the exception of the feature that I shall mention later.
>
> "It was indeed the intention of those who labored on this Act, as well as Congress, to do as complete a job as possible in carrying out the stipulations of the International Convention to which the United States has become a party. The title of the Act specifically provides 'to carry out the provisions of certain International Conventions' as one of its pur-

poses. And the last words of Section 45 state that the intention of the Act is 'to provide rights and remedies stipulated by treaties and conventions respecting trade-marks, trade-names and unfair competition entered into between the United States and foreign nations.'" (pp. 278-79.)

The author continues as follows:

"Mr. Rogers in his last lecture indicated the significance of sub-sections (h) and (i) of Section 44 from the point of view of unfair competition law enforceable by the Federal Courts. I fully share his views that the Lanham Act, by virtue of these provisions, has changed the situation created by the *Erie Railroad v. Tompkins case.* I may be permitted to quote what I wrote to Mr. Rogers on December 3, 1937, in submitting the draft which became Section 44.

"'*These provisions have the effect of placing trade-names and unfair competition under Federal control when in commerce within the control of Congress. I submit that this could be done directly in so far as interstate commerce is concerned, and it may be done thus indirectly in a provision extending rights to foreigners and then securing the same benefits to American citizens and residents as to foreigners.*'" (p. 288.) (Italics added.)

RUDOLPH CALLMANN.

Rudolph Callmann, author of *The Law of Unfair Competition and Trade-Marks* is quoted in *The Trade-Mark Reporter* as follows:

"Section 43 of the Lanham Act can (and should) be regarded as a direct source of federal law against false advertising. Even if it is not, however, Section 44 may offer an indirect source of such a law by its reference to international treaties and their broad

concepts of unfair competition. Section 44(h) declares that any foreign national, resident or business 'shall be entitled to effective protection against unfair competition' and that all the remedies provided in the Act for infringement of marks 'shall be available so far as they may be appropriate in repressing acts of unfair competition.' Section 44(i) declares that United States citizens or residents are entitled to the same benefits as those granted to foreign persons under Section 44. When the language of these provisions is read in the light of their legislative history, they appear to import the development of a new corpus of federal law against unfair competition, as that term is construed in its broader sense, with the result that an action for unfair competition in commerce, whether involving foreigners or American nationals, would be one 'arising under this Act.' Under this view, jurisdiction over such causes will now be vested in the federal courts, irrespective of diversity of citizenship or the amount in controversy, and the courts should apply federal law and not the common law of the states, thereby depriving the rule of *Erie R. R. v. Tompkins* of an important segment of its newly acquired domain.

"The Lanham Act is intended 'to protect persons engaged in . . . commerce against unfair competition . . .' Unfair competition, as used in Section 44 refers to the broad common sense concept of unfair competition and not the term of art classically synonymous with 'passing off' in cases involving non-technical trade-marks. Section 44(g) adverts specifically to the latter concept in affording protection to trade-names or commercial names 'without the obligation of filing or registration whether or not they form parts of marks.' It is a wholly justifiable inference that the term 'unfair competition,' used in

a section designed 'to provide rights and remedies stipulated by treaties and conventions respecting . . . unfair competition' was intended by the draftsmen in its broader sense, as it is used in such treaties and conventions. The Congressional Hearings furnish sufficient proof that the legislators were fully cognizant of the implication of that usage and its interpretation.

"It could be argued with some merit that the law of unfair competition is entitled to the dignity of a true resident in the house of jurisprudence and that it should not be forced to make its appearance therein through the 'servants' entry'—through a statute primarily designed to create a new law of trade-mark registration and to give effect to international conventions. But it is in line with our tradition that the law of trade-marks, even though it is commonly said to be a branch of the law of unfair competition, should be not the off-spring but the father of our law of unfair competition. The law of trade-marks has, of course, seniority, and the law of unfair competition was initially distilled out of the artificial common-law distinction between the technical and the non-technical trade-mark. Only reluctantly did the courts emancipate unfair competition from its common law servitude and give impetus to the development of its common sense concept. The Lanham Act is in harmony with this tradition."

The Trade-Mark Bulletin, 38 T. M. R. 1057, 1058.

It thus appears that it was the intention of the experts who drafted the Lanham Act to create a federal cause of action for unfair competition, and this conclusion is further borne out by the discussions at the Congressional hearings, at which the purpose of the language of Section 44 is explained.

C. Rules of Statutory Construction and Interpretation Require the Decision That United States Courts Are Required to Take Jurisdiction of Simple Actions in Unfair Competition.

"The plain meaning of the words of the act covers this use. No single argument has more weight in statutory interpretation than this: Nothing in the legislative history is brought to our attention which indicates any other purpose in Congress than that expressed by the words of the act. The final form of the enactment did not vary in this particular portion from the bill originally introduced."

Browder v. United States, 312 U. S. 335, 85 L. Ed. 862, 865, 61 S. Ct. 599.

"It is a general rule that the courts, in the interpretation of a statute, may not take, strike, or read anything out of a statute, or delete, substract, or omit anything therefrom. To the contrary, it is a cardinal rule of statutory construction that significance and effect should, if possible, be accorded to every word, phrase, sentence, and part of an act."

50 *Am. Jur., Statutes*, §231.

"The construction of the statute should be made with reference to the purpose of the statute, or in the light thereof, and in harmony and conformity therewith, in order to aid, advance, promote, subserve, support, and effectuate such aim, design, motive, end, aspirations, or object."

50 *Am. Jur., Statutes*, §303.

"Frequently, the purpose of a statute is expressly stated therein. Where such declared purpose is not incompatible with the meaning and effect of the statute, it is to be taken as true . . . Hence, in determining the purpose of a statute, or the mischief to be remedied, recourse may be had to recitals thereof in the title or preamble."

50 *Am. Jur., Statutes,* §307.

D. Congress Intended to Require United States District Courts to Hear and Decide Actions for Unfair Competition Similar to the Instant Cause.

A pertinent discussion regarding the section of the act as phrased in the earlier draft referred to took place during the House hearings on H. R. 4744 which was an earlier draft of the Trade-Mark Act, and the discussion has been quoted verbatim in Appendix A, attached hereto.

It is evident from said discussion at the hearing on H. R. 4744 and particularly from the remarks of Mr. Rogers and Mr. Williams regarding putting the prohibition against unfair competition into statutory form that the drafters and the proponents of the Trade-Mark Act of 1946 definitely intended to provide American business men with recourse to the Federal Court in unfair competition actions arising out of interstate commerce.

The intent of the drafters of the Act is also clearly conveyed in Mr. Lanham's report to the House on the first draft of this legislation which was embodied in H. R. 6618. He said,

"There is no essential difference between trade-mark infringement and what is loosely called unfair competition. Unfair competition is the genus of which trade-mark infringement is one of the species

> . . . All trade-mark cases are cases of unfair competition and involve the same legal wrong. The essence of the wrong consists in the sale of goods of one manufacturer or vendor for those of another. The essential element is the same in trade-mark cases as in cases of unfair competition unaccompanied with trade-mark infringement."

It is evident from the above remarks of the congressional sponsor of the new Trade-Mark Act that from the very beginning and in the earliest draft of this legislation due consideration was being given to the general idea that the businessman should be given some protection against the genus wrong of unfair competition of which the trade-mark infringement was only a species. As Mr. Lanham said in another portion of the same report:

> "Moreover, ideas concerning trade-mark protection have changed in the last 30 years and the Statutes have not kept pace with the commercial development. In addition, the United States has become a party to a number of international conventions dealing with trade-marks, commercial names and the *repression of unfair competition.* These conventions have been ratified, but it is a question whether they are self-executing, and whether they do not need to be implemented by appropriate legislation.
>
> "Industrialists in this country have been seriously handicapped in securing protection in foreign countries due to our failure to carry out, by statutes, our international obligations. There has been no serious attempt fully to secure to nationals of countries signatory to the convention their trade-mark rights in this country and to protect them against wrongs for which protection has been guaranteed by the Convention."

It is apparent that the provisions embodied in Section 44(h) were intended to convey and to preserve to foreigners those rights which the United States by adhering to the International Conventions promised to give to foreigners in the protection of their trade-marks and in securing them against unfair competition. It was the natural outcome that legislation which granted to foreigners the right to enter the Federal Courts to protect themselves against unfair competition should have secured to citizens or residents of the United States in Section 44(i) a similar right. It was the manifest intent of Congress to grant to both foreigners and to United States citizens or residents protection against unfair competition by granting to them the right of recourse to the Federal Courts in unfair competition actions regardless of diversity of citizenship or the amount involved in the controversy.

Mr. Lanham in the same report clearly stated the objectives of the Act in the following outline:

> "This Bill attempts to accomplish these various things:
>
> "(1) To put all existing trade-mark statutes in a single piece of legislation.
>
> "(2) To carry out by statute our international commitments to the end that American traders in foreign countries may secure the protection to their marks to which they are entitled.
>
> "(3) To modernize the trade-mark statutes so that they will conform to legitimate present-day business practice.
>
> "(4) To remedy conceptions of the present Acts which have in several instances obscured and perverted their original purpose. These conceptions have

become so ingrained that the only way to change them is by legislation.

"(5) Generally, to simplify trade-mark practice, to secure trade-mark owners in the good will which they have built up and to protect the public from imposition by the use of counterfeit and imitated marks and false trade descriptions."

The second purpose of the Act clearly states that it is the manifest intent of Congress "to carry out by statute our international commitments." Since one of our international commitments is the preservation of foreigners from unfair competition and since the drafters of the Trade-Mark Act have by statute provided foreigners with recourse to the Federal Courts, it is obvious that in Section 44(i) the legislature intended to grant American citizens or residents the same rights.

Since, in the past, unfair competition actions which did not involve diversity of citizenship and a minimum amount of $3,000.00 could not be tried in the Federal Courts and since there was no Federal statute covering unfair competition which did not affect the public interest, it was essential for Congress to implement its adherence to the International Conventions by providing a statutory means to protect foreigners from unfair competition. The theory lying behind such statutory protection is clearly delineated by Mr. Lanham in his report. Mr. Lanham writes:

"The theory once prevailed that the protection of trade-marks was entirely a state matter and that the right to a mark was a common law right. This theory was the basis of previous national trade-mark statutes. Many years ago the Supreme Court held and has recently repeated that there is no Federal

common law. It is obvious that the states can change the common law with respect to trade-marks and many of them have, with the possible result that there may be as many different varieties of common law as there are states. A man's rights in his trade-mark may differ widely in one state from the rights which he enjoys in another.

"However, trade is no longer local, but is national. Marks used in interstate commerce are properly the subjects of Federal regulation. It would seem as if national legislation along national lines securing to the owners of trade-marks in interstate commerce definite rights should be enacted and should be enacted now."

The above remarks imply that the Congressional intent was to take the protection of trade-mark rights out of the common law sphere and to place it under the protection of a Federal statute. Since the statutory involvement of our obligation with foreign signatories to the International Convention required the statutory enactment of a means of implementing the unfair competition clauses involved in those conventions, the drafters of the Trade-Mark Act embodied therein a provision which gave recourse to the Federal Courts in unfair competition causes. In addition, it is evident that the Congress intended to grant a similar right to United States citizens or residents in view of the provisions of Section 44(i) and to take the action for unfair competition out of the realm of the common law and from under the aegis of state courts.

During the hearings of the Subcommittee on Trade-Marks of the Committee on Patents of the United States on H. R. 82 which resulted in the present Trade-Mark

Act, the following discussion took place which is reprinted on page 133 of the published hearings:

> "Miss Robert: The only comment I have to make is that this is a bill to regulate domestic commerce, to protect domestic trade-mark owners, to register trademarks in the United States Patent Office . . . One of the most important intents of this bill is to bring all trade-mark law into conformity with the International Conventions to which this nation is an adherent and to give reciprocal advantages which the convention provides."

This is a statement made by one of the best informed proponents of the Trade-Mark Act.

Miss Robert, during the various hearings which extended over a period of more than five years, was continually relied upon by the members of the committees of both the House and Senate handling the trade-mark legislation to give expert opinion regarding the provisions of the act and to prepare various amendments thereto. Of particular interest is her statement that the bill is to regulate domestic commerce and to bring our trade-mark law into conformity with the International Conventions to which this nation is an adherent.

Conclusion.

It is respectfully submitted, therefore, that Section 44 of the Act does not by mere inadvertence provide a Federal remedy for unfair competition. Clearly Congress intended to protect interstate commerce under the Lanham Act from unfair acts of competition and intended to provide the remedies for such protection on an equal footing with Federal remedies relating to trade-mark infringement.

It thus appears clear that by virtue of the Lanham Act unfair competition involving goods or services in interstate commerce is a Federal cause of action with original jurisdiction in the Federal courts, and from

(1) the mere reading of the statutory provisions, Sections 44(b), 44(h), and 44(i) of the act,

(2) the expressed intent of Congress as indicated in Section 45 of the act,

(3) the comments of the framers of the act and the most prominent authorities in the field, namely, Daphne Robert, Edward S. Rogers, Stephen P. Ladas, Arthur A. March and Rudolph Callmann, and,

(4) Accepted rules of statutory construction.

It is therefore respectfully submitted that the United States District Court has jurisdiction over the subject matter of this action, and that the judgment of the District Court should be reversed.

Signed at Los Angeles, California, this 26th day of August, 1949.

FORREST F. MURRAY,
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APPENDIX "A."

From Discussion at Hearing on H. R. 4744.

"Mr. Rogers: If I might explain, Mr. Chairman, that section was drafted by Mr. Dienner, who was the American representative at the last convention revision.

"Mr. Lanham. I recall he was before us last year.

"Mr. Rogers. He was before you last year, and he apologized for not being present this year, but he is engaged in the trial of a case. Also, Dr. Ladas, a research fellow at Harvard and now practicing in New York, who has written an internationally authoritative book on this subject; and they assure me that everything that we are obligated to do in our International Conventions is included in this title. I think, however, that I will call the attention of the committee to one thing. That is paragraph (h) on page 29, beginning at line 7:

" 'Citizens or residents of the United States shall have the same benefits as are granted by this section to persons described in paragraph (a) hereof.'

"We have the curious anomaly of this Government giving by treaty and by law with respect to trade-marks and unfair competition to nationals of foreign governments greater rights than it gives to its own citizens. I am simply calling attention to that fact. This is an attempt to put the citizen on an equality with the foreigner instead of just the reverse, which is usually the case.

"Mr. Lanham. I dare say we will find no objection to that.

"Mr. Thomson. Mr. Chairman, I have merely called the attention of Mr. Rogers to subsection (g), which says that—

"All acts of unfair competition in commerce are declared to be unlawful and the provisions of sections 32 to 35, inclusive, shall be applicable thereto.

That covers a very wide field, and its construction has given jurisdiction to the Federal courts in any case involving unfair competition, regardless of diversity of citizenship. I think some consideration should be given to the effect of that section.

"Mr. Rogers. By all the conventions we undertake to grant to foreigners effective protection against unfair competition. The foreigner says, 'What have you given us?' And the answer usually is, 'There is the Federal Trade Commission Act.' Well, what is that? That is only unfair competition that directly affects the public. Then you talk to a foreigner about the common law, and he says, 'What is that? We haven't any such thing in our country.' And then we try to explain that there are 48 varieties of common law in the United States, and he says, 'Which one is the one that I am entitled to be protected under? There is no Federal statute that helps me.' Now I am not prepared to say what would be the effect of this paragraph (g), but because we haven't put it in some kind of Federal statute some time, our people are being refused protection abroad because they say there is no reciprocity.

"Mr. Byerly. Mr. Chairman, if I may make a suggestion, it seems to me this is extremely broad and difficult to understand, and the place that this ought to go in, it seems to me, is in section 32.

"Mr. Lanham. You mean paragraph (g)?

"Mr. Byerly. Paragraph (g); yes. It says that this certain section shall apply to unfair competition. Now you may remember section 32 is in the words of the old

act which apparently relates to trade-mark infringement but which when you consider this new act with our new section 2, allowing secondary-meaning words, section 32 covers unfair competition, and I suggested recording it in a way that would make it plainer. They did that, and I am not sure, although I yielded to Mr. Rogers' suggestion that we stick to the words of the old act here for convenience, that if we changed those words so as to make it evident that it did cover unfair competition, we could not then leave out this rather vague section which has been put in later, which apparently does not require you to have registration, and therefore it is difficult to see how you have any Federal law at all, to simply make 32 expressly cover unfair competition. I would be glad to read you the draft that I made with that intention if it would interest you. Could you give me that, Mr. Reporter? It is the part that I scratched out. My suggestion, Mr. Chairman, is that we leave out altogether the provisions of the whole subsection (g) on page 29, and rewrite the section 32 as follows:

"Any person who shall falsely indicate to the public that any goods or articles shipped or sold in commerce are goods or articles manufactured or sold by a person who has registered a trade-mark under this Act by affixing to or using in connection with the sale or advertisement of such goods any copy, counterfeit or colorable imitation of any trade-mark registered under this Act shall be liable to a civil action by the registrant for any or all of the remedies hereinafter provided.

"Now I think it a statement which covers both trade-mark infringement and unfair competition, to which we could point directly in case of the foreigner raising the question of how we protected him against unfair compe-

tition, and it would be the simplest way to deal with it, because it would in this way give our citizens those rights as well as foreigners. That is, the essence of unfair competition as used in connection with the trade-mark law, is to give a false impression that goods which are not made by this registrant, let us say, are made by him. That is the gravamen of the offense, and it is to that that I suggest the words of section 32 be directed, so that we can leave out this other section.

"Mr. Lanham. Mr. Rogers?

"Mr. Rogers. I quite agree that Mr. Byerly has drafted an admirable definition of unfair competition, but I should not like to see it substituted entirely for the language that is in this draft and that has been taken over from existing law, because it is directed to two things. First, the traffic in copies, counterfeits, or colorable imitations, as such; and second, the application of a copy, counterfeit, or colorable imitation to competing goods.

"Now perhaps some place could be found for an added section to give Mr. Byerly's very excellent definition of unfair competition. The difficulty is however that unfair competition is what Lewis Carroll used to like to call a 'portmanteau' word—it means a lot of things, and it means different things to different people, and the minute you attempt to define it you limit it, just as you limit 'fraud' when you attempt to define it. I wonder if Mr. Byerly would have any objection to putting in this section which we are now considering, under (g), and cross out any reference to sections 32 and 35?

"Mr. Byerly. It seems to me a long way from home there, because the rest of section 32 describes the effect of the registration in such suits, and I can not help feel-

ing it is illogical; I think it would be simpler to add this to some of the things that section 32 already says—and start off with 'anybody who puts a counterfeit in trade,' and take that all in, and then follow that with 'or any one who commits unfair competition' in the words that I previously stated it. Then the whole thing could go into 32, which would be the logical place to define where you could sue a man.

"Mr. Rogers. That is all right with one possible exception. I think the definition is fine and would be useful as a congressional declaration of that sort of customs rascality this act is intended to stop, and that is unfair competition under all the definitions.

"Mr. Luce. I shall have to show my ignorance by asking if there is in the general statutes now any broad sweeping declaration of unfair competition—any prohibition of unfair competition.

"Mr. Rogers. Only in the Federal Trade Commission Act, where the general phrase is used, 'unfair methods of competition in commerce,' shall be stopped by the Federal Trade Commission.

"Mr. Williams. Mr. Harry D. Nims, who is something of an authority on trade-mark law, has said to me that he has always resisted every effort to define 'unfair competition' in statutes.

"Mr. Luce. This is all comprehensive, and I wondered how far it might be carried.

"Mr. Rogers. 'Unfair competition' is a term that is pretty well understood. It is a compendious term. I recall very well, if I may digress a little, a student of mine, after listening stoically to a course of lectures on unfair competition, came up to ask me a question afterwards.

I was wondering what he was getting out of this course, and I asked him what he understood by 'unfair competition.' He said, 'Well, it seems to me it is the efforts of the court to keep people from playing dirty tricks on each other.' And really you might look through the books a long while and not find a better definition than that. It is conduct which artificially interferes with the normal course of trade by misrepresentation, by disparagement, by trade bribery, and all that sort of stuff.

"Mr. Luce. And that is now definitely prohibited?

"Mr. Rogers. Not by statute.

"Mr. Luce. Then you are putting in here a statute?

"Mr. Rogers. Yes; but we have got it in the convention, and our friends are criticizing us because we say it is in the convention, and we have not implemented that convention.

"Mr. Luce. You are extending and putting in here a phrase which was not intended to apply to the trademark?

"Mr. Rogers. No; I perhaps did not make myself clear. The convention provides that we will give to foreigners, signatories of the convention, effective protection.

"Mr. Luce. You do not get what I am after. This is not tied up with conventions?

"Mr. Rogers. Oh yes; it is under the heading 'Convention.' It deals with nothing else.

"Mr. Luce. It does not seem to me to be adequate law-making to advert to a title of a series of paragraphs to justify a general statement of that sort.

"Mr. Rogers. I think if you will start at page 26 of section 45 you will see what we are driving at.

"Mr. Luce. I see, but I want some word there to tie it up with that heading.

"Mr. Rogers. I should think that this would do it:

> "Persons national of, or domiciled in, or having a bona fide and effective business or commercial establishment in any country, which is a party to the International Convention for the Protection of Industrial Property—

and so forth. I should think that paragraph (a) of section 45 indicates clearly enough that it is intended to implement the convention.

"Mr. Luce. I have no doubt of that.

"Mr. Rogers. Yes, sir.

"Mr. Luce. But I am in business, and I come across this statement without qualification and without its being tied up with anything else, to the effect that all unfair competition is unlawful. Well, I think there is a lot of unfair competition. If you put in there 'pertaining to trade-marks,' or something else, or tie it up in that way now, you would lift it out of its context and use it.

"Mr. Rogers. That would be true if 'unfair competition' were not pretty well known as a term of law to describe a type or class of wrong.

"Mr. Luce. Yes.

"Mr. Rogers. The books are full of those cases.

"Mr. Luce. Yes; what is the objection to limiting it to trade-marks?

"Mr. Rogers: Well, because frequently 'unfair competition' has nothing to do with trade-marks.

"Mr. Lanham. Mr. Luce, I think, means with reference to this particular act dealing with trade-marks.

"Mr. Rogers. Yes; but the trouble is that conventions deal with trade-marks and unfair competition.

"Mr. Lanham. Oh, I see.

"Mr. Byerly. I agree with Mr. Luce that this section as it is is dangerously broad. Particularly, you say it is meant to carry out the convention, but in the very next paragraph you say that natives are to gain all the benefits that foreigners get, so it is broadly alleged that every act of unfair competition is illegal and that there shall be a right of action in the Federal courts for it, without in any way defining it or tying it up to registration, and it seems to me that whatever the convention may be, what we give them ought to be something that is reasonably clearly defined, and that is a case where we should not mix up our domestic law in order to carry out a somewhat vague treaty.

"I think if I could make my previous suggestion a little more definite, I should say that in section 32, we could preserve the first three lines, down to the fourth line, that is, as far as the word 'act,' on line 18, page 17, which deals directly with 'reproducing, making counterfeits of trade-marks,' and then add the language which I just read to you, in substance, 'any person who falsely indicates to the public that any goods or articles are the goods of the registrant,' which covers unfair competition at least in the ordinary sense of the word, which is passing off your goods for the goods of others, but ties it up to a registration granted under this act, so that there is some basis for the Federal jurisdiction, and if we put that in 32 instead of the following language that is there now, I think that we would have something which we could very plausibly tell our foreign friends that, 'This is what we consider unfair competition, and if you will register your trademark here,

you will get this protection.' At the same time it fits right in with the purpose of the whole act in allowing any distinctive mark to be registered, and would make a consistent law without a somewhat dangerous, broad, extraneous passage such as you have in (g) on this other page.

"I should like to suggest that (g) be altogether omitted.

"Mr. Williams. I respectfully submit that as matters now stand we cannot go into the Federal courts in the case of unfair competition unless we have diversity of citizenship, also the amount in controversy. This would give us the right to go in there without regard to those limitations, which is decidedly advantageous. The courts have sufficiently defined 'unfair competition,' and it is well enough to define it in this statute. I think that as it stands it is all right.

"Mr. Lanham. You think that subsection (g) should remain in this title?

"Mr. Williams. Yes; I think so." (Italics added.)